GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:654
ANSWERED ON:21.02.2003
PRICE INDEX
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Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) the details of the items included to calculate the inflation in the country and to estimate the price index of the commodities;

(b) whether present inflation rate is the real reflection of the usable items that are required by the common people of the country at large;

(c) if not the reasons therefor;

(d) whether inflation ratio calculation device is absolute in terms of the average requirement of the under-privileged and lower middle class population of the country; and

(e) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL)

(a), (b) & (c) The Wholesale Price Index (WPI) is the most widely used price index in India used for reporting annual inflation. It measures the movement in wholesale prices of 435 commodities in all trade and transactions. `Primary articles` contribute 98 items in the WPI series, `fuel group` 19 items and `manufactured products` 318 items. WPI is the only price index in India, which is available on a weekly basis with the shortest time lag of two weeks.

With a view to reflecting adequately the changes that have taken place in the economy since 1981-82, the earlier WPI series with base year 1981-82=100 was revised and a new series with revised commodity coverage, base year, and weighting diagram was introduced from April 1, 2000. Base year of the existing series is 1993-94=100.

(a) & (e) The Wholesale Price Index captures the weekly price movement of 30 essential commodities of daily use. These include staple foods like rice, wheat, sugar, pulses, coarse cereals, sugar and edible oils etc. consumed by the underprivileged and the lower middle class population of the country.

For the poor sections of the population, measuring the retail price movement is preferable. This is currently done through the Consumer Price Index for Industrial Workers (base 1982=100) and the Consumer Price Index for Agricultural Labourers(base 1986-87=100). Adoption of a more recent base year for these two series would capture the structural changes in the consumption pattern of the population in a more realistic manner.